San Joaquin Valley
Air Pollution Control District

March 22, 2006

Ms. Catherine Witherspoon
Executive Officer
California Air Resources Board
P.O. Box 2815
1001 I Street
Sacramento, CA 95812

Re: District Response and Action Plan for 2003 Program Evaluation

Dear Ms. Witherspoon:

The District has received and reviewed the final ARB Report of Findings and Recommendations for the 2003 District Program Review. As requested, we have prepared and enclosed our Response and Action Plan addressing each recommendation in the final ARB Report. We have also shared both the ARB Report and our Response and Action Plan with the District Governing Board in a public meeting on March 16, 2006.

We would like to thank you and your staff for their diligent efforts in working to understand our operations, and to provide us with valuable constructive comments and recommendations. Many of the recommendations in the final report, as they are being addressed, are leading to important additional improvements in our air quality program. If you have any questions regarding the evaluation or our Response and Action Plan, please contact me at (559) 230-6000.

Sincerely,

Seyed Sadredin
Executive Director, APCO

CC: Robert Fletcher, Chief, ARB Stationary Source Division

District Response and Action Plan
for the
California Air Resources Board Review of the
District's Air Quality Program

March 2006

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Introduction

The California Air Resources Board (ARB) performed a comprehensive review of the District's air quality program in 2003. The program review was performed as part of the ARB's oversight role in accordance with Section 41500 of the California Health and Safety Code. ARB evaluated the District's compliance, permitting, portable equipment registration, rule development, emissions inventory, Air Toxic "Hot Spots", Carl Moyer, and ambient air monitoring programs, and issued a final program evaluation document in October of 2005. This report provides the District's response and action plan for the ARB program review.

In almost every section of the ARB program evaluation positive comments are included highlighting many of the District's important accomplishments. Although the District agrees that those positive findings are a key part of the overall program evaluation, the purpose of this response and action plan document is to address those areas where opportunities for improvement were identified. So the positive findings, which are found throughout the ARB document, are not discussed here.

Compliance Program

ARB Recommendation (Sec A.1): *"The District should strive for annual inspections at all permitted sources and quarterly inspections for all sources with actual emissions greater than 25 tons per year."*

District Response: At the time of the program evaluation, District compliance department staff was responsible for inspecting approximately 8,000 industrial and commercial facilities with tens of thousands of emission units, many of which reside at major sources. Implementing the recommendation for quarterly inspections at major sources alone would have required us to more than double our inspection staffing. Since that time, the enactment of new State laws expanded regulatory mandates to include previously exempt agricultural sources. This change in mandates, along with the District's continuing efforts to achieve emissions reductions at more sources, has more than doubled the number of facilities to be inspected. With these increases in the number of facilities to be inspected, it is not feasible to increase inspection frequencies at this time. However, the District has launched extensive efforts to streamline and automate the inspection process and provide for more field inspection time. The implementation of these measures should allow us to reevaluate our current inspection frequency policy by July 1, 2007.

The District currently inspects all Title V and Synthetic Minor sources once per year. Because of their size and complexity, these sources are often the subject of multiple visits throughout the year in order to allow the District to inspect all permit units or respond to problems. In addition, when facilities are problematic, they may be inspected multiple times per year even if all other required inspections were completed.

Minor sources are currently inspected on a variable frequency that may be more or less than once per year, in accordance with our inspection frequency policy. A variable inspection frequency is assigned according to various factors, including compliance and complaint history, frequency of use (e.g. standby emergency I.C. engines with little use get inspected every 3 years), the presence of toxic air contaminants (e.g. chrome plating shops are inspected twice per year and dry cleaners are now done once per year), and the potential for violations occurring.

As part of our efforts to improve our inspection efficiency, we are currently targeting a reduction in paperwork of 15% by June 30, 2006. The first step in the process was to simplify and make uniform all inspection forms that are used, and this was completed in July 2005. Forms were redesigned as part of the process of working toward a long-term goal of implementing a computer-aided inspection (tablet PC) system because the design of the forms will serve as the template for CAIS. Implementation of CAIS is roughly 12 months away. These and other efforts will enable the District to re-evaluate its inspection frequencies because there should be additional staffing resources available at that time.

ARB Recommendation (Sec. A.1): *"The District should have in-house laboratory capability or have a contract with a local laboratory to analyze solvent and coating samples."*

District Response: Although the District agrees that it would be beneficial to have a local laboratory under contract to perform analyses of coatings, an initial check with local laboratories revealed they did not conduct the required tests. However, we have discovered that there are private laboratories in the Los Angeles area that could provide the necessary services, and reasonable procedures can be developed for shipping samples to these laboratories. The District proposes to pursue contracting with a private laboratory in the Los Angeles area and has developed the following action plan:

a. By February 1, 2006 identify labs in the Los Angeles area that conduct the required tests.

b. By April 1, 2006, receive bids from respective labs, determine their sampling requirements, and determine their shipping requirements.

c. By July 1, 2006, have blanket purchase secured for testing if determined feasible.

d. By August 1, 2006, have policy developed on proper sampling and shipping of samples. This policy would also identify the sampling frequency.

e. By September 1, 2006 have staff trained to properly sample and ship samples.

ARB Recommendation (Sec A.2.2): *Although District Rule 4622 has been in place for almost two years prior to the most recent review of GDFs, a high number of stations still cannot comply with the static pressure performance requirement (TP-201.3). The District should consider adding more resources to the vapor recovery program. Currently, the District allocates 10.5 positions to the enforcement of their vapor recovery rules. In a district as geographically large as the San Joaquin Valley, to assure an improvement in compliance, the District should allocate more resources to the enforcement of their vapor recovery rules.*

District Response: Although the District has not added additional inspectors as recommended, the District has taken steps aimed at improving the effectiveness of GDF inspections and to achieve improved compliance. The GDF inspection group has been centralized under a single supervisor to provide better direction, training, and consistency in the program. In addition to performing visual equipment inspections, we have allocated more resources for observing annual

and start-up performance tests to ensure that testers follow proper procedures and replace defective equipment.

As mentioned previously, one of our goals for the 2005/06 fiscal year is to reduce paperwork by 15%, allowing significantly more time for field inspections at sources including GDFs, without adding personnel. We are also making other improvements (including computer aided inspection with tablet computers) that will increase the efficiency and productivity of our inspectors in the field.

During the second round of audit testing performed in 2005, 8 vacuum assist-equipped GDFs failed TP-201.3, while 30 balance-equipped GDFs failed TP-201.3. CARB commented that it is "particularly alarming" that the balance systems performed so poorly as measured by TP-201.3. The District was also concerned about the high failure rate and began investigating the reasons for the failures.

The District collected the repair records for 19 balance-equipped GDFs documenting the components replaced in order to pass TP-201.3. The following table lists the components, the number of GDFs where the component contributed to the failure, and the percentage of incidences where the component contributed to the failure.

component	number of GDFs	percentage
nozzles	13	68%
breakaways	6	32%
hoses	6	32%
Pressure/vacuum vent (EVR)	2	11%
Vapor adaptor (EVR)	2	11%
Jackscrew (EVR)	1	5%

The results of these 19 balance sites show that most of the failures were from faulty nozzle vapor valves, breakaways, and hoses. It does not appear that additional physical inspections alone would eliminate these failures. The leaks associated with nozzles and breakaways are very difficult to detect with visual inspections and are usually only detectable when a test is performed. Visual inspections of hoses could eliminate most leaks associated with hose tears, but even a small pinhole leak can cause a TP-201.3 failure. Because one of the main causes of these failures is breakaways, the District recommends that CARB disallow the reconnection of breakaways after a drive-off and we request that CARB ensure that the new balance-system nozzles being submitted for Phase II EVR certification will have more reliable vapor valves than the present design.

We are confident that the changes we have initiated aimed at providing more efficient and effective inspections, combined with CARB's efforts to certify more reliable Phase II equipment will result in significant improvements in the program.

ARB Recommendations (Sec. A.3): *To ensure the effectiveness of the mutual settlement program, ARB staff recommends that the District strive to achieve a target of 90 days for average case settlement time.*

District Response: The District has made significant progress in decreasing the average case settlement time as recommended. Toward that end, an additional specialist was added to the mutual settlement staff in 2004. Also, a temporary specialist helped in the program for the first six months of 2005, and other measures to improve efficiency have also been implemented. Improvements in efficiency and additional staffing have eliminated the major bottleneck in case processing, and there is no longer a backlog of cases to be processed.

Cases are now processed by the District mutual settlement staff within two weeks of receipt of the NOV information from the inspectors. Although we have not yet reached the 90-day target for the entire time from discovery to settlement (even with the large backlog eliminated, the time to settlement still includes time for negotiation, information requests, and responses by regulated entities), over 50% of settlements are now being reached within 120 days of the issuance of the settlement letter. The District is committed to maintaining these settlement timetables to assure that cases are settled in an expeditious manner.

ARB Recommendation (Sec. A.5): *The District should consider quantifying emissions from equipment breakdowns and include them in their emissions inventory.*

District Response: The District agrees that significant emissions due to equipment breakdowns need to be included in the emission inventory. To this end the District shall do the following:

a. By April 1, 2006, a written proposal will be developed to modify the District's equipment breakdown database. The proposed modification will allow District staff to query the breakdown database for excess emissions by facility and for any requested time period.

b. By April 1, 2006, the breakdown policy will be revised to state staff will work with sources on the magnitude of excess emissions and include it in their findings. If excess emissions cannot be determined, the inspector shall state why the excess emissions could not be determined in their written report.

c. By April 1, 2006, a compliance assistance bulletin will be sent to sources stating Rule 1100 requires they report an estimate of excess emissions caused by the breakdown condition.

d. By April 1, 2006, staff will be provided training on the revised policy.

e. By December 1, 2006, District staff will be able to query for the magnitude of excess emissions due to breakdowns for each source for any requested time period, and include those emissions in future emissions inventory submittals.

ARB Recommendation (Sec. A.6): *CEM Excess Emissions in the Central and Northern Region should be reported to ARB within 5 working days as required by HSC section 42706."*

District Response: The District's Southern region follows this procedure and the Central and Northern regions have obtained the reporting forms that are being utilized so that the information transmitted to ARB will be uniform. By March 1, 2006, the District will develop and implement a policy which outlines the procedures to be followed to ensure that CEM excess emissions will be reported within 5 working days as required by HSC 42706. The Central and Northern regions will begin this reporting process immediately thereafter.

ARB Recommendations (Sec A.8): *As discussed above, the District should continue the improvement of the asbestos inspection protocols adopted for the Central Region. Further, inspection forms in the Central Region should be improved by documenting the inspection activity and including the owner/operator name.*

District Response: The District is in the process of updating the asbestos inspection policy and forms to not only insure consistency in all three regions, but to also to improve the quality of the inspections. To this end, the following will occur:

a. By March 15, 2006 compliance's asbestos policy will be revised to clarify and memorialize the requirements of conducting inspections and reporting findings.

b. By March 15, 2006 the asbestos inspection forms will be separated into three types: demolition inspection, renovation inspection, and courtesy notification inspection forms. Each form will focus on a specific aspect of the NESHAP regulation and will require the inspector to record additional relevant information.

c. By April 15, 2006, the above forms will be reviewed and approved by management and then placed on compliance's intranet site. District policy now requires all inspection forms receive management approval before being utilized by staff. Staff may only utilize approved forms found on the intranet, which insures consistency amongst the three regions. The revised policy will emphasize the importance of conducting inspections during ongoing asbestos removal.

d. By May 15, 2006, the asbestos coordinator will provide training on the revised policy and new forms to all district staff that conduct asbestos inspections.

e. By May 15, 2006, all completed inspection forms will be reviewed by senior staff for conformance with District policy.

ARB Recommendation (Sec. A.9): *The District should enter the Full Compliance Evaluation (FCE) data into the Air Facility System (AFS) database. The District should make sure the CMS target list matches the list of sources in the AFS database, and that source names, addresses and contacts of the sources in AFS match the source names, addresses and contacts contained in the District's NOV database. District staff should run Quality Assurance Reports to confirm that data entry of FCE data and HPV data are making it into AFS. Monthly HPV reports and quarterly FCE reports should be generated for management review. The District AFS staff should routinely attend the annual AFS workshops.*

District Response: The District has taken the following actions to implement the CARB recommendation:

In 2002, the District applied for a Grant from the EPA to improve the compliance data management systems and to automate the transfer of data to the AFS system. The grant was awarded in early 2003, and since then significant improvements have been made. The variance, complaints, and breakdown databases have been updated and Title V certification and source test databases have been created. A new NOV database is currently being tested and will be put into operation in 2006.

In the first half of 2005, the District started automatically transferring all data for partial compliance evaluations, investigations, source tests, and compliance certifications to AFS. FCE and HPV data are currently being manually entered into AFS on a monthly basis and that process will be automated by July 2006. In 2005 the District and EPA completed a project to correct the facility data in AFS, as recommended. EPA is developing the necessary quality assurance reports that the District will begin using in February 2006. Reports of all HPVs and FCEs are now produced monthly and are being reviewed by management as recommended.

District AFS management staff will attend future annual AFS workshops depending on the location.

ARB Recommendations (Sec. A.10): *Northern and Southern zone hearing boards should make the findings required by HSC section 42352 at the hearing. It is essential for the District to ensure that hearing procedures do not give the*

impression, or allow for, a variance to be considered in a pro forma or cursory manner by the very panel that is charged with an independent and impartial review of the matter.

District Response: The members of the District's three hearing boards are busy professionals who have volunteered to take on this responsibility. It is difficult to find people willing to serve, especially for the medical, legal and engineering positions. Accordingly, the practice of the hearing boards in most cases is to adopt and incorporate by reference the findings that are outlined in the staff report. This not only saves time at the hearings, but is fully authorized by case law. (See, for example, *Dore v. County of Ventura* (1994) 23 Cal.App.3d 320). In cases where there is disagreement over the ability to make the findings, or if the complexity of the case warrants it, board members are advised at the hearing to go over each individual finding.

The Hearing Boards have been advised that they can discuss findings individually or adopt by reference. The District will continue to leave the choice to the individual hearing boards.

The District would like to note with regard to the finding regarding the lack of Memoranda of Understanding with local District Attorneys in paragraph 7 of page A-18 of the final ARB report, that the District does not maintain MOU's with local District Attorneys due to the very small number of cases referred for criminal enforcement. In some cases, the District will associate with a local DA in a civil penalty case, with an MOU on that individual case. In short, there is simply no reason to have standing MOU's with local DA's.

The District would also like to note with regard to abatement order findings (See page A-44 of the final ARB report), that the District is unaware of any abatement orders that have had the effect of variances without proper findings. Very few abatement orders are heard. There were a few during the energy crisis of 2001, which were granted under emergency orders and under extraordinary conditions. The District will closely examine any future abatement orders to determine whether variance findings are required.

Permit Program

ARB Recommendation (Sec. B.1): *The District should develop and carry out a plan to reduce its permit backlog. The District may need to add additional staff to support this effort.*

District Response: As ARB is well aware, Permit Services is proud of the efforts invested in streamlining the permitting process, while simultaneously maintaining or improving the quality of its work. Maintaining a low permitting backlog is an important part of those efforts, but, with varying workloads, sometimes the

backlog increases, as was the case during the timeframe of the ARB audit. In the more recent past, as was the case shortly before the audit, the District backlog has been hovering around 500 ATC applications. This is the approximate number of applications that allows the District to assign applications to staff for processing virtually upon receipt. The District has been able to maintain this level for several months, and believes this is an appropriate target.

Of course, this level of performance results from ever-improving organization and usage of internal resources, as well as improved proactive actions conducted in coordination with the industry and the applicants. The District is also continuously working to eliminate inconsistencies across the three regions.

In addition, the District is currently working on developing better ways to measure this performance and applications backlog. The indicator we are currently examining is a measurement of "time to issue permit". These new indicators will help the District to improve its backlog tracking ability. As a consequence, this will help the District to be even more pro-active in managing its resources and providing better customer service.

In summary, the District's Permit Services group goes far beyond ARB's wishes for a "plan" to reduce the permitting backlog – Permit Services pursues streamlining and quality improvements on a continuous basis, and is confident that the current level of service can be maintained.

ARB Recommendation (Sec. B.2): *Rule 2201 should be amended to clarify that routine replacement should be reserved for routine maintenance and repair of broken or worn components, not for the complete replacement of an entire stand-alone emission unit. Also, the District should ensure that the replacement of an emission unit is treated consistently. The District should ensure that its calculation procedures do not generate "paper" emission reductions by lowering an emission factor rather than actually reducing usage and/or throughput.*

District Response: The definition "Routine replacement" replaced "functionally identical replacement" in Rule 2201 at the behest of EPA on August 20, 1998. Rule 2201, with the new "routine replacement" definition, received final, limited approval into the SIP on July 19, 2001 and full final approval April 19, 2004. The definition of routine replacement in Rule 2201 specifies "…replacement <u>in whole or in part</u> of any article, machine, equipment, or other contrivance …". Therefore the replacement of an entire emissions unit can be a "routine replacement" provided all of the criteria specified in the rule are satisfied. Both the District Governing Board and EPA have approved this clear language in the District's new source review rule. ARB has provided no statutory nor technical basis for their opinion that the NSR rule should be amended to prohibit replacement of an otherwise qualifying entire emissions unit from being a "routine replacement".

The District concurs that consistent permitting actions are necessary for an effective, efficient, and equitable permitting program. Please be aware the District employs many resources to ensure there is consistency in permits and permitting actions. In one example cited, the District determined the non-identical replacement of the gas turbine engine portion of an existing cogeneration operation and the addition of additional flue gas control devices that lowered emissions from the cogeneration unit did not qualify as a "routine replacement" under Rule 2201. The replacement gas turbine engine was subjected to NSR, including BACT. In the other permitting action cited, the Turlock Irrigation District project was not approved as a modification to an emissions unit, as ARB claims. The engineering evaluation referenced by ARB was a preliminary decision that was not finalized by the District. This project was finalized as a routine replacement of an emissions unit, in accordance with Rule 2201 Section 3.33. CARB (Mr. Mike Tollstrup) was consulted at various times during the processing of this project, and CARB did not provide any written comments at the time. It is therefore difficult to understand why CARB is commenting at this point. For gas turbine engines of this size, industry practice is, at the time of major turbine overhaul, to remove the existing gas turbine engine for rebuilding offsite and to install a rebuilt gas turbine engine in its place to minimize downtime. As explained above, Rule 2201, the District's new source review rule, provides a BACT exemption for routine replacements. Both of the cited permitting actions were consistent with the District's SIP approved new source review rule.

ARB cites an example where three existing IC engines driving gas compressors were replaced by a single engine driving a gas compressor to compress the same gas previously compressed by the three engines. The District agrees that the three engines being replaced are separate emission units. Contrary to CARB's statement, this project <u>was</u> considered to be a NSR modification, as the replacement engine was not the same in all respects except the serial number as the engines being replaced.

There is nothing in Rule 2201 Section 3.33 that prohibits having a different number of units being replaced than are being installed as replacements, and, more importantly, we fail to see the relevance. ARB provides no statement to explain why it is OK to replace on a one-for-one basis, but not on a multiple-for-one basis. For this reason, District Policy APR 1215 (12/20/94), Section 1., states that one unit may replace multiple units (note that while the Policy refers to Section 3.15 of the 10/21/93 version of Rule 2201 (Functionally Identical Replacements), the current requirements of Section 3.33 are the same for non-identical replacements).

The District considers HVLP spray guns to have a 75% transfer efficiency, as can be seen in our Guidelines for Expedited Application Review for Motor Vehicle and Mobile Equipment Coating Operations (GEAR-12), in accordance with the STAPPA/ALAPCO Air Quality Permits, A Handbook for Regulators and Industry,

Volume 2, Page 14-7, 5/30/91. We agree that a more appropriate reference for this assumption should have been identified in the engineering evaluation of the End of Trail Cabinet Co. project. Amendment to the NSR rule effective on August 20, 2001 required BACT for the relocation of any emissions unit with a potential-to-emit exceeding 2 pounds per day. Prior to that, BACT was required for relocating an emissions unit only if the potential-to-emit from that emissions unit was increasing by more than 2 pounds per day.

We concur with ARB's acknowledgement that the August 20, 2001 amendment to Rule 2201 limits a BACT exemption to modifications made to existing facilities solely to comply with laws, regulations, or orders.

The example of "paper" emissions reductions is a misunderstanding by ARB. The District's June 15, 1995 amended version of Rule 2201 was applicable to the permitting action cited in ARB's example. For PM10, this version (as well as the current version for fully offset units) specifies that comparing the pre-project and post-project potentials-to-emit determines the offset quantity. As indicated in the District's engineering evaluation, the increase in potential-to-emit from traffic on roadways allowed to revert unpaved condition is balanced by the reduction in potential-to-emit from the five steam generators exhaust. The post-project emission limit, 0.029 lb PM10/MM Btu is an order of magnitude higher than the AP-42 total particulate emission factor for natural gas combustion of 0.0072 lb total PM/MM Btu. As these steam generators PM10 emissions were partially offset by paving existing unpaved roads, a reduction in the potential-to-emit from the steam generators allows for road paving to no longer be required. The relaxation of the requirement to maintain the roads as paved is appropriate under the District's NSR rule because of an equal reduction in the steam generators potential-to-emit. There were no "paper reductions" issued – the District merely cancelled an unnecessary offsetting obligation, as the source was no longer emitting at a level that required the offsetting.

ARB Recommendation (Sec. B.3): *The District should ensure that its policies serve to clarify rule requirements and do not alter an approved regulation. Specifically, the "smaller emitter" exemption allowed in District Policy APR 1305 should be removed or incorporated into District Rule 2201. The District should also discontinue Policy SSP 1705 for Dormant Emissions Units. Furthermore, all permitting policies should be updated to reflect the most current rule interpretation, and the non-administrative policies should be made available to industry and the public through the District's web site and/or as a published document.*

District Response: It is never the District's intent to develop a policy that would alter an approved regulation. Policies are developed to assist in implementing a regulation. Regarding Policy APR 1305, our small emitter determinations are completely consistent with District Rule 2201. We have found, through experience, that cost effectiveness need not be performed on equipment with

very small amounts of emissions, as the controls will never be cost-effective. We therefore established our "small emitter" thresholds at conservative emissions levels, below which it is a waste of time to perform cost-effectiveness determinations (because no technologies that aren't already achieved in practice are going to be cost effective for these small emitters). We streamline the process for these units by requiring that they install "achieved-in-practice" BACT. Additionally, there have been no cases identified where applying the small emitter provision allowed higher emissions than would have been allowed if a cost effectiveness analysis had been performed to see if any of the listed technologically feasible technologies were cost effective. However, we plan to follow-up on this issue further, to either establish a demonstration that our small-emitter policy is fully consistent with Rule 2201, or propose changes adequate to ensure that consistency (see response to ARB recommendation B.4, below).

The District's Dormant Emission Unit (DEU) policy (SSP 1705) does not allow any equipment to operate out of compliance with its permit or with any applicable rules. A DEU permit is only issued to existing units that are NOT operating. Prior to operating, they must be in full compliance with all District regulations. Therefore, we will continue to implement this policy.

Permit Services has a multitude of policies, as CARB points out, and is in a continual process of identifying and prioritizing those that need updating. Some policies take a little longer to update, with priority granted to those of widespread or critical use. We will commit to reviewing all current policies, to determine which ones need updating, and developing a schedule to update those. Additionally, we are developing a method of archiving policies that are outdated.

Permit Services has already begun developing policies and guidelines that direct permit services activities as rules change. We will commit to adding a section to these guidelines that identify policies that need updating, and an aggressive schedule for updating them.

We agree that non-administrative policies should be available on our Web site, and will endeavor to place them there by June of 2006.

ARB Recommendation (Sec. B.4): *The District should review and update its BACT determinations to reflect more accurately the cost-effectiveness thresholds used by other districts with similar air quality status. The District should also widen its BACT search to include BACT determinations from other sources. The District could include links to other available control technology databases (for example South Coast AQMD, ARB/CAPCOA, ARB DG Guidance) on its BACT Clearinghouse web site. The District should also reexamine its in-house procedures for updating its BACT Clearinghouse. The District should amend its Policy APR 1305, removing "type of business" as a criteria for determining whether a BACT control technology is achieved in practice for a given class or*

category of source. The District should update the interest rate used for BACT cost effectiveness analyses to reflect current economic conditions.

District Response
The District will commit to convening a workgroup to review the cost effectiveness issue, and propose to District management specific recommended improvements. This team will be convened during the second quarter of 2006, and will be instructed to finish their work by the end of the third quarter of the year. Changes that come out of the team's recommendations will be implemented as soon as is practical thereafter, with a goal of before the end of 2006.

The District is also committed to taking the following actions within the same timelines:

- Developing improvements to the District's proactive updating of our BACT guidelines.
- Formalizing processes for cross-referencing of other BACT Clearinghouses, and making these clearinghouses available via our website.
- Performing an analysis of the consistency with Rule 2201 of the District's "small emitter" policy.
- Reviewing our implementation of "class and category of source".

ARB Recommendation (Sec. B.5): *The District should consider using the permit issued to Madera Power as a template for modifying the other Title V permits for biomass facilities upon renewal. These permits should contain an explicit definition of urban wood waste, a limit on contaminants in the wood waste, a periodic testing of the fuel stream for contaminants, and source-test requirements when significant changes in fuel composition occur. For minor (non-Title V) biomass facilities, the recommendations should also apply, except that source-testing requirements may be less stringent.*

District Response: This recommendation is contrary to the purpose of Title V Operating Permit and non-Title V Permit to Operate renewal. Title V renewals are performed to add new and modified federally enforceable rule requirements to the Title V Operating Permit and to incorporate new or modified equipment into the Title V Operating Permit. Non-Title V Permits to Operate are reviewed and, if needed, revised to ensure that the permit conditions reflect any new or amended regulations.

SJVUAPCD Rule 2010 Section 6.0 prohibits any person (defined in Rule 1020 Section 3.33 to include District employees) from willfully altering a Permit to Operate. Further, District Rule 2080 empowers the APCO to issue permits with conditions necessary to ensure compliance with the Standards for Granting Applications (Rule 2070) and requires the APCO to revise those conditions upon

receipt of a new application if the applicant can demonstrate the unit can operate in compliance under the revised condition. Arbitrary modification of a permit to match another permit is not authorized by District Rules and Regulations.

We agree with ARB that the Madera Power biomass facility permit is a good permit. The District has a philosophy and history of continuous improvement in permitting. We reserve the ability to improve our permits in the future. As biomass facilities in the District were authorized and modified at different times and under different versions of the New Source Review rule and other rules it is not appropriate to take one biomass facility's conditions of approval and apply them to other biomass facilities.

The District will make a diligent effort to analyze each biomass facility's permit conditions at permit renewal to ensure the permit is complete and enforceable, and we will commit to improving such permits to the extent allowed by regulation.

ARB Recommendation (Sec. B.6): *The District should improve the clarity of its permits, especially for more complex facilities. Specifically, permits should have a clearer item-by-item equipment listing, and the District should consider grouping specific types of conditions in its permits, such as those for record-keeping, source testing or abatement. This could make the permits more user-friendly to the source and inspector.*

District Response: The District strives to make its permits clear and concise, while still containing all necessary conditions to enforce the applicable Rules and Regulations. Our equipment descriptions contain the minimum amount of information needed to enforce the assumptions made in evaluating the permitted operation. We do try to group similar types of conditions together within the permit where there is a benefit to this (such as record-keeping, source testing, etc.), and this is shown in our Permitting Handbook, a guidance book on how we evaluate applications, which is used in our Certified Air Permitting Professionals training. This training is also given to all new District permit engineers, as well as to consultants performing work in our District. However, we will not put such groupings of conditions into separate sections, and we will not place titles or headings before each such group, as such rigid permitting constructs do not work in all situations.

In terms of re-organizing existing permits, many of which were issued prior to developing this concept of grouping conditions, this may not be efficient, as many companies (especially the large and complex sources) have tied automated record-keeping and reporting to the current condition numbers, and moving conditions around would upset this system. Therefore we try to change the order of existing permit conditions only when the source requests such a change.

ARB Recommendation (Sec. B.7) *The District should ensure that existing permit conditions are not weakened through subsequent permitting actions*

related to equipment modifications. As documents are converted from hard copy to an electronic filing system, the District should make sure all engineering evaluations are complete, stand-alone documents. ARB staff supports the use of templates for the purposes of permit streamlining; however, when these templates are utilized, ARB staff recommends that the District staff exercise more care in reviewing its evaluations.

District Response: The District carefully ensures that permit conditions are not weakened as a result of further permitting action related to equipment modification. In the specific case brought by ARB, in 1995, an applicant proposed to modify monitoring requirements of an existing unit to allow the use of portable analyzer. After analysis, the District made decision that proposed modification was approvable and the applicable requirements were adequately enforceable. The District does not agree that existing requirements to be weakened by the proposed changes.

The District's new electronic document management system allows the District to scan engineer evaluations and all attached documents. This new system means that every engineer evaluation, with attachments, is made available as a stand-alone document accessible through any Permit Staff member computer.

In order to improve efficiency and consistency, the District has developed several engineer evaluation templates. Each template is made to address specific cases. Templates are useful tools that serve the purpose of permit streamlining, limit or eliminate inconsistencies across the regions and improve overall District productivity. Permit Staff members are continuously reminded about the specificity of each available template. In addition, to improve quality, a system is now in place allowing the District to track comments made by staff or management regarding existing templates. Therefore, it is easier to keep templates updated on an on going basis and thereby improve overall quality of work.

Rule Development Program

ARB Recommendation: *We recommend the District continue to review its rules to ensure that it has implemented the most effective standards commensurate with its air quality challenges.*

District Response: This is an on-going effort by the District. As part of the plan development process, several special multi-agency reviews, and SB 656, the District has recently reviewed its emissions inventory and rule stringency and committed to making rule changes which could result in meaningful reductions. Staff will continue to conduct such reviews in the future as it develops its attainment plans and participates in multi-agency projects.

ARB Recommendation: *The District should repeal superseded rules for those source categories that are covered by many rules such as boilers, engines, and turbines.*

District Response: If not required for legal or technical reasons, rules will be evaluated to determine if they can be repealed when superceded by new rules. For example, in 2005, the District adopted amendments so that Rules 4403, 4451, and 4452 will expire when the requirements of new Rules 4409 and 4455 take affect.

Portable Equipment Registration Program

ARB Recommendation: *The District should expand its inspections to include portable equipment registered in the Statewide program and enter inspection reports into the ARB database. The District should recognize the existence of certified nonroad engines in their portable equipment registration program, and therefore should not impose any emission standards from Rule 2280 on these engines.*

District Response: The District has expanded its inspections to include additional portable equipment registered in the Statewide program. During the past 12 months (through 12/1/2005), the District has inspected approximately 90 State registered units. Reports for these have been provided to ARB for entry into the ARB database.

Several programmatic problems are currently hampering our efforts to perform more inspections of State registered portable equipment. These problems include: 1) the lack of notification of when State registered equipment is operating in our District; and 2) limited resources to perform the inspections. It is our understanding that, in order to rectify these problems, ARB is now proposing to revise the State portable equipment regulation, increasing fees to provide more resources for District inspections, and adding new provisions that would allow for more inspections. We believe that adopting these new provisions will allow us to have a more complete and effective compliance program for these units, and we plan to develop a new comprehensive inspection policy for State registered equipment within 90 days after the new ARB regulation is adopted and approved.

Your recommendation concerning certified nonroad engines is noted. The District looks forward to working with ARB to more closely coordinate our portable registration programs during the next revision to Rule 2280.

Air Toxics "Hot Spots" Program

ARB Recommendation: *The District should complete inventory reports for these last remaining Phase III facilities (less than 10 tons/yr) and submit them to ARB. The District should continue to describe any change in a facility's prioritization score or health risk assessment in their annual "Hot Spots" report, and when possible, update the emission inventory to reflect the change in status. The District should complete the screening health risk assessments for industry-wide facilities and, when necessary, require public notification for facilities with a risk above the notification threshold, as they have done for the other "Hot Spots" facilities.*

District Response: The District has identified Gasoline Stations, Auto Bodies, Graphic Arts, Dry Cleaners, and Bulk Terminal as Phase III (industry wide facilities) and is in the process of collecting data for these facilities. The District will calculate emissions and prioritization scores using CAPCOA-approved guideline documents, when available.

ARB Recommendation: *The District should continue to describe any change in a facility's prioritization score or health risk assessment in their annual "Hot Spots" report, and when possible, update the emission inventory to reflect the change in status.*

District Response: The District will submit updated toxic reports with the emissions inventory on September 15 of each given year. This will include updates to any previous years data. The "Hot Spots" program does not require a facility to update its report if there are reductions in emissions.

ARB Recommendation: *The District should complete the screening health risk assessments for industry-wide facilities and, when necessary, require public notification for facilities with a risk above the notification threshold, as they have done for the other "Hot Spots" facilities.*

District Response: Facilities meeting the requirements of 44344.5 section (b), as stated in the Health and Safety Code, are meeting the requirements of the "Hot Spots" program. It requires the District to perform a HRA on their potential to emit, ensure a facility is not a significant risk and issue a permit. The "Emissions Inventory Criteria & Guidelines Report" document also requires facilities to comply with the requirements of Section V.C., Update Reporting Requirements for "Intermediate Level" Facilities. The District tracks each facility and any subsequent modifications through the permitting program. As part of the permitting process, the District performs HRAs to determine increases in risk to ensure that the facility does not become a significant risk as required by H&S 44344.5 section (b).

The District will require notifications for industry wide facilities upon the finalization of CAPCOA HRA/Public Notice guideline documents.

Emissions Inventory Program

***ARB Recommendation**: The District is encouraged to continue their improvements in the reporting of facility toxics data and to provide toxics updates for all AB2588 facilities where data is missing.*

District Response: The District will continue to improve reporting of facility data per AB2588.

***ARB Recommendation**: The District should review and update the remaining area source categories as soon as possible and provide ARB with the updated emission estimates. The District is also asked to reconcile these estimates with their point source data. It would be helpful if the District posts their area source methodologies on their website.*

District Response: The District has consolidated the point source and area source emission inventory functions in the Permit Services Department. This will provide more focus and expertise in all inventory areas. Staff has been assigned to update area source methodologies. In order to meet a target of updating 25 percent of area source categories each year, the District will take the following actions:

- By June 30, 2006 the District will have prioritized all District area source categories for updating based on size of the category, potential for new rule development activity, time since the last update, and availability of new information affecting the source category.

- Continue work on high priority area source categories as needed to support plan and rule development.

- By the end of 2009, update all District responsible area source and implement a regular schedule for continued updating.

- The District will reconcile area source emissions with the point sources following the procedures and timelines as established annually by ARB.

- By the end of 2006, the District will have a web page that we will post our area source methods on. New methodologies will be posted as they are developed. When this web page is created, we will request that ARB will link to it.

***ARB Recommendation**: ARB encourages the District to continue providing merged submittals as it prevents double counting of facilities in the CEIDARS database.*

District Response: The District will continue submitting merged data.

Carl Moyer Program

***ARB Recommendation:** During the office portion of the review, ARB Staff had the opportunity to use the files and two databases the District maintains for each funded project. While locating the files and the information within them did not present any problems, at the time of the program evaluation, the information in the databases and hard copy files were not consistent. The District needs to assure the quality of the data, including cross checking the information in the databases and institute procedures for updating the databases whenever there are changes to the projects.*

District Response: The District utilizes only one database for the Heavy-Duty Engine Program. The District also uses spreadsheets in preparing emission reduction calculations and determining cost-effectiveness for each individual project. There have been instances when the information in the file may not exactly match the information in the database due to human error during input. To avoid data discrepancies and enhance efficiency, District staff is in the final design stages for a single, comprehensive computerized application that will serve both project evaluation and archiving functions. Completion of the project will require dedication of computer programming resources that have been recently allocated to the program.

***ARB Recommendation:** The District's written policy is to notify applicants of the completeness of their application within ten days of receipt of their application. At the time of the audit, the District was not always in compliance with its written policy.*

District Response: At the time of the audit, the District attempted to meet the ten (10) day notification requirement identified in the Moyer Program Guidelines. Meeting the notification requirement to inform an applicant whether their application is complete has been difficult to achieve due to the number of applications submitted during a short period of time prior to the audit. At the time of the audit, the District had received over 2,000 heavy-duty engine applications since February 2001. Since the audit, the District has changed its policy documents to reflect the 5-day notification requirement identified in the Health and Safety Code. Every effort will be made to comply with this notification requirement.

ARB Recommendation: *At the time of the program evaluation, the grant recipients' applications appeared to be used as working documents, with handwritten changes made throughout. These changes rarely included annotations of who, when or why the changes were made. The application should be a stand-alone document of exactly what the grant recipient requested. A separate calculation form (with dates and initials) should be used to correct applicant errors; calculate emissions benefits and cost effectiveness; and, justify changes (e.g. modification to project life). A calculation form should also be used when there are changes in the completion of the project (see finding immediately below).*

District Response: The District does prepare separate emission reduction calculations for each project. Whenever changes to these forms are made, the revised calculation sheets are placed in the file. Each individual calculation sheet has a place to identify who made the changes and why they were made. Additionally, each file folder has a sheet for staff notations and the changes are tracked in the database.

District staff is now keeping the applications intact as originally submitted by the applicant. Photocopies of individual pages will be made and utilized by District staff if changes to the application are necessary.

ARB Recommendation: *At the time of the audit, in a number of instances, the District's post-inspection monitoring visit revealed that projects were not completed as outlined in the District's contract with the grant recipient. For example, from the documentation in the file for project number 00-01 N-340(1), the project appeared to include an engine that is not eligible for Carl Moyer Program funding – a spray rig. The database and the contract show this engine as an agricultural pump engine. It is unclear from the documentation whether the spray rig engine was inappropriately paid for with Carl Moyer Program funds. At the time of the audit, the District had no procedures for follow-up on such occasions. The District should ascertain continued project eligibility; recalculate emissions benefits and cost effectiveness; and, develop criteria for adjusting payment, when necessary.*

District Response: The District always ascertains continued project eligibility, and recalculates emission benefits and cost effectiveness when necessary. The District has always routinely adjusted payments on projects that did not follow contract requirements, had ineligible costs, or came in under budget.

ARB's assertion that projects were not completed pursuant contract requirements on a "number of instances" is inaccurate. The specific example provided by ARB (N-340) as a project that was not completed pursuant to the contract, is accurate. The project, when monitored, was incorrectly identified as a portable agricultural pump engine. The engine in question was removed from the Carl Moyer Program, and the funds were allocated to another eligible project.

ARB Recommendation: *At the time of the program, documentation of the status of the old replaced engine was not always complete. On the written statements that the engine will only be sold out of state, ARB found a number of occasions in which, these forms (and other engine sales forms) were not signed by the buyer of the old engine. The District did not have procedures for and consistent documentation of the status of the old replaced engine when the engine is destroyed. ARB recommends the post-inspection monitoring form be modified to include a section on the dispensation of the old engine and pictures be included when the engine is destroyed.*

District Response: It is important to note that, at the time of the audit, ARB's Moyer Program guidelines did not have any requirements for the disposal of the old engine that is being replaced. In fact, until the recent Moyer Guideline changes (November 2005) ARB guidelines allowed the grantees to keep their old engines. The District felt that this policy was unacceptable and implemented policies to ensure that the old engines were not replaced more than once within the District. At the time of the audit, pictures of destroyed engines were not required. District staff visually verified the status of the old engine and the method of compliance was written on the post-inspection monitoring form. The District has subsequently modified the post-inspection monitoring form to clearly indicate the status of the old engine, and will take pictures pursuant to newly adopted Moyer Guidelines.

ARB Recommendation: *ARB staff did not find any situations where the District analyzed and responded to the absence or presence of the grant recipient's annual reports. For example, when the annual hours of operation were significantly less than what was committed to in the contract, it appears the District did not take any action. There was no recalculation of emissions benefits and cost effectiveness. Furthermore, the District did not investigate potential problems with the hour meter. Nor did the District take any action against the grant recipient for overestimating the use of the engine. When the lack of an annual report was discovered during the site visit, however, the District immediately took action to obtain the report from the grant recipient.*

District Response: Due to the number of applications submitted in a short period of time, follow-up of annual reports provided by grantees were not always made a priority. District staff does notify each grantee when their annual report is due, but repeated follow-up was not always performed. The District will make every effort to follow-up with applicants that have not returned their annual reports.

District staff recently recovered grant funding from a project that reported zero hours of usage for their engine. The above ARB comment indicated that a decrease in hours reported might be the result of a faulty hour meter. However,

a wetter rainy season or increased surface water deliveries most likely resulted in the reduction of hours needed to pump irrigation water.

ARB Recommendation: *At the time of the program evaluation, ARB staff recommended that the District should institute procedures for updating databases whenever there are changes to the projects. The District should use grant applications as stand-alone documents of exactly what the grant recipient requested. Separate forms should be used to correct errors, calculate emission estimates, and justify changes. For those projects not completed as outlined in the grant contract, project eligibility and determinations should be made accordingly. The District should also completely document the status of the old replaced engines. The District should analyze and respond to the absence or presence of the grant recipient's annual reports.*

District Response: Subsequent to the program evaluation, the District has implemented policies that ensure: the database is updated when necessary; applications are used as stand alone documents; separate forms are continued to be used for calculating emission reductions; project eligibility is determined in accordance with contract requirements; documentation of the status of the old engines is complete; and, annual report submissions are followed-up through automated notifications via the District database.

Air Monitoring Program

ARB Recommendation: *The District should have all certification equipment re-certified at the intervals suggested by the U. S. EPA. All monitoring equipment should be calibrated using the U. S. EPA's frequency guidelines.*

District Response: All certification equipment is currently being certified on the EPA's established intervals. Once the certification has expired, the unit is sent for re-certification in a timely manner. An exception is older equipment, which has been replaced with newer units. These units are kept as backup equipment in case newer equipment is sent out for factory repair/upgrade. Prior to use these units would be certified. Monitoring equipment is calibrated on the intervals set by EPA, and the calibration report is submitted to the supervisor. Each technician doing monitoring equipment calibrations also submits a six-month calibration calendar to the supervisor. The calendars are posted on his bulletin board and reviewed on a weekly basis. Upcoming calibration and equipment nearing certification are discussed with technicians during weekly projects meetings.

***ARB Recommendation**: The District should implement a Corrective Action Program. Procedures should be established for handling data, which falls outside established limits.*

District Response: Procedures for handling data, which fall outside established limits, are currently in Volume II, section 2.0.2.6 of the SJVUAPCD "Quality Assurance Plan of the Air Monitoring Section." At each level of the review process data is checked for validity and if data falls outside established limits, it is flagged and coded accordingly.

***ARB Recommendation**: The District should conduct a detailed review of the siting criteria and instrumentation listed for each of the District's air monitoring sites in the U. S. EPA's AQS. This review will ensure that all monitoring criteria are correct and that all instrumentation and equipment that are no longer operating or reporting data have been closed.*

District Response: A review of siting criteria and instrumentation was done in 2005, and the result published in the District's "State And Local Air Monitoring Report – 2005." This review is an ongoing process; reports from prior years are available. Some equipment no longer needed under EPA guidelines, is operated to provide supplemental data for State Implementation Plans (SIPs) and for modeling. All monitoring criteria are correct and equipment no longer reporting data have been closed.

***ARB Recommendation**: The District should create QA/QC documents detailing procedures and or/guideline for the collection, analysis, validation, storage, and reporting of data.*

District Response: The District has created a QA/QC manual, "Quality Assurance Plan of the Air Monitoring Section," and Volume I, section 1.0.6 plus Volume II section 2.0.2 procedures for collection, analysis, validation, storage, and reporting of data.